

## January 21, 2009 - Pratt & Whitney Faces New Engine Fight

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Pratt & Whitney faces new engine fight

By Roxana Tiron

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Engine maker Pratt & Whitney is revving up to defend its dominant position in the development of the Joint Strike Fighter.

Pratt & Whitney, a Connecticut-based unit of United Technology Corp., is making the case that it should be the only engine producer for the multi-service, multi-national Joint Strike Fighter (JSF), or F-35 Lightning II. Lockheed Martin is the prime contractor for the more than \$256 billion project.

Pratt & Whitney for several years has been caught in a tug-of-war between the Pentagon and Congress over whether to have an alternate or second engine for the fighter.

Congress has repeatedly provided money for a multibillion-dollar second engine built by Britain's Rolls-Royce and General Electric. That team has a powerful lobbying arm and strong support from lawmakers.

The Rolls-Royce engine would vie for orders against Pratt & Whitney in a market projected at \$100 billion over the next few decades.

In order to free up money for the Rolls-Royce-GE engine, Pratt & Whitney argues that Congress cuts funding for the development of the actual planes.

"Obviously, it is a lot of money [to Pratt & Whitney]," said retired Air Force Gen. William Begert, the vice president for business development for military engines. "It is absolutely a critical program to our future."

For fiscal 2009, Congress cut two fighter jets out of the budget so that it could provide \$430 million for the alternate engine. Pratt

& Whitney's supporters argue that those cuts have led to delays in the program. Begert said he fears that plans to continue funding the alternate engine could lead to even deeper plane cuts in the 2010 budget, perhaps as many as six aircraft.

"Anything that delays the program is hurtful," he said in an interview. "Pratt & Whitney is a much smaller company, [so] this is a very important program."

The United States, the United Kingdom and seven other international partners are developing the F-35, which is the Pentagon's priciest airplane to date, to replace a wide range of U.S. and foreign fighter jets. Lockheed Martin is developing three different variants of the F-35 for the Air Force, Navy and Marine Corps, respectively.

This year is a critical one for Pratt & Whitney, but also for the JSF program. Later this spring, Lockheed Martin and Pratt & Whitney will fly the first short-take-off-and-landing flight for the Marine Corps's version of the plane. In the fall, the engine maker will deliver the first production-quality engine for the Air Force version, and by the end of the year the Navy's carrier version will have its first flight.

"By the end of 2009, Pratt & Whitney engines will have flown every engine of the JSF," said Begert.

When the JSF was conceived, the Pentagon planned to offer funding for a choice of engines for the first fighters. It initially projected that producing two engine programs would create competition, lower prices and provide a backup if one engine broke down.

The GE-Rolls-Royce team won a \$2.4 billion contract in 2005 to build the second engine. After almost a decade of support, however, the Pentagon and the Bush administration, with an eye to saving money, decided to jettison the program, starting with its 2007 budget request. The second engine program will need at least \$1 billion more until the development is completed in 2013. Full production of the fighter jets is expected to start in 2014.

In a blow to the GE-Rolls-Royce team, Pentagon budget-planning documents for fiscal 2010 do not include funding for the alternate engine. However, Obama's Pentagon could change that in the budget request it will send to Capitol Hill in April.

Critics of the Pentagon's decision argue that having a single engine producer for the entire fleet could be too risky and make the fighters less reliable. Leading defense authorizers and appropriators in the Senate and House, including Reps. John Murtha (D-Pa.) and Sen. Carl Levin (D-Mich.), have made the case for granting funds to makers of both engines.

The “engine wars” started after several fiascos with the F-15 and F-16 fighter jets, which relied on one engine. As a consequence, Congress started an alternative fighter-engine program that provided funding for rival companies to produce engines for the same planes. One company receives a certain percentage of the engine contract and another the rest.

Since 1997, Congress has provided funding to GE and Rolls-Royce for the alternate-engine program. Overall, more than \$2.5 billion has been authorized and appropriated through fiscal 2009.

The GAO says there may be long-term financial savings to the government from having a second engine program.

But Begert argues if his firm were the only one on contract, it would have “a faster production line &hellip; we would be [the only ones] dealing directly with the customer.”

Meanwhile, for Rolls-Royce and GE, the stakes are high in the battle to save the alternate-engine program: Even though they will not suffer significant short-term financial losses, the two companies could be effectively shut out of the largest fighter-jet market for the next 40 years.

Both Rolls-Royce North America, which is headquartered in Indianapolis, and Rolls-Royce in Bristol, England, have been building parts of the engine. GE is assembling the engines in Cincinnati.